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WAR FOOD ADMINISTRATION
OFFICE OF DISTRIBUTION

Finance Letter No. 43
Classification 560

1944 CROP IRISH POTATO LOAN PROGRAM - LCL3a

I. INTRODUCTION

War Food Administration has authorized the making of loans on 1944 late crop potatoes stored in approved warehouses or on farms in approved storage structures. The program will be administered through the facilities of the Office of Distribution, War Food Administration, as agent for Commodity Credit Corporation, hereinafter referred to as "Commodity Credit Corporation (OD)." Farm and warehouse loans on potatoes located within the producing area will be administered locally by State and County Agricultural Conservation Committees. All correspondence, loan documents, remittances, etc., except service fees, in connection with loans shall be sent to the appropriate Regional Finance Office of the Office of Distribution. The chief purpose of the program is to support potato prices at not less than 90 per cent of parity as of July 1, 1944, for the late crop. In connection with the loan program, such diversion and procurement operations as might be practicable will be conducted.

II. GENERAL DESCRIPTION OF THE PROGRAM

- A. To Whom Loans May Be Made. Loans will be made on 1944 late crop potatoes to producers, cooperative associations of producers, certified potato dealers and potato processors.
- B. Where Loans May Be Obtained. All farm and warehouse loans within the producing area must be approved by the County Agricultural Conservation Committee of the county in which the potatoes are stored. The committee will indicate its approval by having one of its members sign the promissory note. Loans may be obtained directly through Regional Finance Offices of the Office of Distribution or from any bank or other lending agency making loans pursuant to these instructions, provided such lending agency has executed a Contract to Purchase on CCC Form E (Potatoes).
- C. Amount of Loan. The amount of the loan shall be computed in accordance with the 1944 Schedule of Loan Rates. In the case of ungraded lots the loan will be computed on the basis of the percentage of U.S. No. 1 quality and the percentage of U.S. No. 1, size B and U.S. No. 2 (1 7/8 inch minimum) quality potatoes in the lot.
- D. Terms of Loan. Loans will mature on demand or on March 31, 1945, whichever is earlier. All loans will bear interest at the rate of 3 per cent per annum.
- E. Final Date of Obtaining Loans. Application for loans may be made by

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eligible borrowers only between the dates of September 15, 1944, and December 15, 1944.

F. Potatoes Eligible for Loans. In order for potatoes to be eligible for such loans, they must satisfy the following requirements;

- (a) They must be mature Irish potatoes of the 1944 crop and in proper condition for storing.
- (b) They must have been inspected by licensed Federal or Federal-State inspectors, or by a person designated for the purpose by the State AAA committee or the regional director of Office of Distribution, each for its respective field of operation. In the case of ungraded lots, the percentage of U.S. No. 2 quality and the percentage of U. S. No. 1, size B or U. S. No. 2 (1 7/8 inch minimum) quality potatoes in the lot must be estimated by the inspector.
- (c) Loans will be made on the quantity of U. S. No. 1 quality potatoes in the lot at the applicable loan rate for U. S. No. 1 potatoes plus the quantity of U. S. No. 1, size B or U. S. No. 2 (1 7/8 inch minimum) quality potatoes in the lot at the applicable loan rate or U. S. No. 2 potatoes.
- (d) The potatoes must be in lots, as shown by such inspection, containing no more than two percent soft rot nor more than three per cent dry rot, including late blight.
- (e) In the case of loans to producers, the beneficial interest in the potatoes must be and must have always been in the producer.
- (f) In the case of loans to cooperative associations of producers, the potatoes must have been acquired pursuant to a 1944 Potato Producer's Sales Agreement (CCC Potato Form C). (The purpose of requiring the executing of such sales agreement is to insure that the cooperative association has the power to give a valid mortgage on the potatoes.)
- (g) In the case of loans to dealers, the dealer must have purchased the potatoes from producers at not less than the applicable support price, and must have applied for and received a certificate declaring such dealer eligible to participate.

G. Preparation and Execution of Loan Documents. All borrowers, whether producers, cooperative associations, or dealers, will, for each loan advanced, execute a promissory note on Producer's Note (CCC Form A). Notes representing loans obtained through the Office of Distribution should name Commodity Credit Corporation as payee and should be forwarded to the Regional Finance Office of the Office of Distribution serving the area. Notes representing loans obtained from lending agencies should name the lending agency as payee.

All borrowers must also execute a Chattel Mortgage (CCC Form AA)

securing each note. The mortgage must cover all the potatoes in the lot. The borrower must also be given a copy of the Mortgage Supplement (Loan Agreement) (1944 Potatoes).

The names of the holders of all existing liens on the potatoes, such as landlords, laborers, or mortgagees must be listed in the space provided therefor on the chattel mortgage, and the lienholder so listed must execute the lienholder's waiver on the mortgage, or on CCC Form AB.

All blanks must be filled in with ink, indelible pencil, or typewriter, and no documents containing additions, alterations, or erasures will be accepted.

In applying for a loan, there must be submitted to the County Agricultural Conservation Committee with the note and chattel mortgage, inspector's certificates covering the potatoes, and in the case of loans to cooperative associations, copies of Potato Sales Agreements for all of the potatoes tendered.

- H. Storage. In the case of farm-stored potatoes, the potatoes must be stored in storage facilities of such substantial and permanent construction as determined by the County Agricultural Conservation Committee to insure safe keeping of the potatoes throughout the storage season. In the case of warehouse-stored potatoes, the potatoes must be stored in warehouses approved by the County Agricultural Conservation Committee which (a) have convenient shipping facilities, (b) will afford safe storage throughout the storage season, (c) will afford protection against rodents, other animals, thieves, and weather, (d) are frostproof or contain a heating system sufficient to protect potatoes from frost damage, (e) contain sufficient space and possess or have access to adequate facilities for grading, packaging, weighing and otherwise handling potatoes, (f) will permit the regular inspection of such potatoes by the warehouseman, the County Agricultural Conservation Committee, and the War Food Administration, and (g) will permit the segregation of each lot of potatoes in bins, which bins must be capable of being identified, and must afford adequate ventilation and drainage.
- I. Release of Potatoes. At any time before the maturity of the loan the borrower may obtain a release of all or any part of the potatoes upon payment, in the case of total redemption, or in the case of a partial redemption for processing by the borrower, of the principal amount of the loan, together with three per cent interest per annum with respect to the potatoes released, and in the case of a partial redemption for sale, upon payment of the net proceeds received from the sale of the potatoes, exclusive of charges for services actually rendered at rates recommended by State Potato Committees or by the State AAA Committees in States having no State Potato Committee, and approved by the Regional Director of Office of Distribution, except that, in no event shall such

partial repayment be less than the amount loaned, plus interest with respect to the potatoes released.

J. Settlement. If a borrower notifies the county committee of deterioration or threatened deterioration such as to require immediate disposal of the potatoes to avoid excessive loss, the county committee will, in all cases where the borrower can make delivery, notify the Regional Director in the Office of Distribution, by telegraph or telephone, regarding the borrower, name, location of potatoes and quantity to be shipped, and request shipping instructions. The Regional Director of the Office of Distribution will (1) transmit shipping instructions to the county committee or (2) notify the committee that immediate acceptance of delivery of the potatoes is not possible. The county committee will, on receipt of shipping instructions, request immediate delivery of the potatoes and settlement will be made on the basis of the grades and quantities delivered.

In cases where immediate acceptance of delivery is impossible or delivery is impracticable the county committee will arrange for a reinspection in storage of the potatoes, and final settlement at the time the potatoes are actually delivered will be on the basis of such reinspection.

The borrower may, prior to the maturity of his loan, request the county committee to provide such borrower instructions to enable him to deliver on or after January 1, 1945, the potatoes in satisfaction of his mortgage indebtedness. The county committee will, on receipt of such requests, request the Regional Director of the Office of Distribution to provide shipping instructions.

As soon as detailed operations procedure for handling the potatoes acquired in satisfaction of loans has been concluded, detailed Finance procedure will be issued.

Upon delivery of potatoes, borrowers will be credited with the full support price applicable to the location and condition at the time of delivery or time of settlement, with adjustments for marketing services not actually performed. Office of Distribution may buy the potatoes either under Section 32 Fund Programs or under the GCP Program. Adjustments will be made between the program of purchase and the loan program for the amount of the loan plus interest involved.

In order to assure full price support to the borrower who has repaid his loan and has remaining potatoes formerly covered by the loan, and to protect the interests of the Commodity Credit Corporation with respect to such potatoes, the following procedure will be used:

1. The borrower shall declare at the time he repays his loan, the quantity of potatoes formerly covered by the loan which remain in his possession.
2. The borrower will be permitted to deliver such remaining potatoes

to Commodity Credit Corporation passing title thereto, free and clear of liens and encumbrances, and will receive in settlement therefor the same prices as though such potatoes had been delivered in satisfaction of the loan.

3. Commodity Credit Corporation may request delivery of such potatoes at a specified date and in the same manner as if being delivered in satisfaction of a loan and, if the borrower fails to make such delivery, the Commodity Credit Corporation shall be relieved of any further price support obligations with respect to such potatoes.

K. County Agricultural Conservation Committee. Loan forms will be furnished County Agricultural Conservation Committees, and copies for the purposes of information may be obtained from such committee, or from the Regional Finance Offices of the Office of Distribution serving the area. Pursuant to regulations issued by the War Food Administration, State and County Committees shall be responsible with respect to all farm and warehouse loans on potatoes located within the producing area for the supervision of the work of inspection of storage structures and potatoes, the determination of the borrower's eligibility, the preparation, filing, and certification of all loan documents, maintenance of records, submission of reports, arrangements for delivery, and other supervision necessary for proper care of the pledged collateral; provided, however, that the county committee may formally designate certain employees of the County Association to execute loan forms on behalf of the committee.

In order to meet the cost of local expenses, County Agricultural Conservation Committees will collect from the borrower a service fee of 2 cents per 100 pounds, but in no case less than \$5.00 per application. Fees shall be handled according to previous instructions and forwarded to Treasurer, Commodity Credit Corporation, Washington 25, D. C.

1. Routing of Loan Documents.

(a) Loans made through approved lending agency. The county committee will attach securely to the original note a copy of "Special Instructions to Lending Agency." The original "Producer's Note," when signed by the producer and approved by the county committee, will be transmitted to the designated payee together with the county office copy. The payee will stamp or write the date of disbursement of funds on both the original and county office copies and will return county office copy to appropriate county committee at regular intervals. The producer's copy will be retained in the county office until the county office copy is returned.

The county recorder's copy and county office copy of the chattel

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mortgage, properly signed and acknowledged, will be submitted to the county recording official by the county committee in order that the receipt of the recording official may be executed on the county office copy. The county recorder's copy will be retained in the office of the recording official and the county office copy will be filed in the county office with the producer's worksheet and copy of the note.

The yellow copies of all chattel mortgages will be forwarded daily to the appropriate Regional Finance Office of the Office of Distribution.

- (b) Loans made direct through CCC(OD). The county committee will transmit the original and the county office copy of the "Producer's Note" and the yellow copy of the "Chattel Mortgage" direct to the appropriate Regional Finance Office of the Office of Distribution. When payment is made, the date of disbursement of funds will be stamped on both the original and county office copies of the "Producer's Note," and the county office copies will be returned to the appropriate county committee at regular intervals. The producer's copy will be retained in the county office until the county office copy has been returned.
2. Records to be Maintained by County Committee. The county committee will maintain a daily record of loans certified. On Saturday of each week the committee shall report to the State AAA office (1) the number of loans, the total quantity and grade of collateral, the amount of the principal advanced on loans, (2) the number of loans which have been partially or wholly repaid, the total quantity and grade of collateral released, and the amount of principal repaid, and (3) the number of loans still in effect, the total quantity and grade of remaining collateral, and the amount of unpaid principal.

Regional Finance Office of the Office of Distribution will keep county committees currently informed regarding any repayments reported through the Regional Finance Offices. In addition, county committees will make such arrangements with local lending agencies, dealers, etc., as will be necessary for the preparation of currently accurate reports.

The State office will prepare a weekly summary of these reports by counties. The original of such reports will be forwarded direct to the War Food Administration, Office of Distribution, Procurement and Price Support Branch, South Building, Washington 25, D. C. The first copy of the report will be forwarded to the Regional Office of AAA.

3. Signature Cards of Designated County Committeemen. If not already furnished, each county committee will furnish the appropriate Regional Finance Office of the Office of Distribution, in duplicate, on 3x5 cards the typed names followed by the manually signed signature of the committeeman or employee designated to approve loan documents for the

county committee. The State and county code number should be shown in the upper right-hand corner, and immediately beneath the code numbers, the name of the State and county should be shown.

L. Terminal Market or In-Transit Loans. Under certain conditions such as a pressing need for additional storage outside of producing areas, upon determination of the Administrator or his authorized representative, loans will be made on potatoes stored in terminal market or in-transit warehouses in locations acceptable to the War Food Administration with respect to ultimate distribution, to growers in connection with their own potatoes, and to cooperative associations of growers, certified dealers, and processors in connection with potatoes which have been purchased. The conditions and requirements in connection with such loans would be the same as those set forth in Paragraph F above, except that there may be added to the loan rate calculated as previously set forth, an amount equal to 50 per cent of the cost of transportation and charges incidental thereto from shipping point to point of storage, provided, that in no case shall such additional amount exceed 50 cents per hundredweight.

Such terminal warehouse or in-transit loans, if authorized by the Administrator or his authorized representative, will be administered and approved by Regional Offices of the Office of Distribution. Promissory notes covering such loans would be secured by either chattel mortgages or warehouse receipts.

M. Accounting and Reporting. Accounting under the potato loan program will be performed by the Regional Finance Offices of the Office of Distribution and covered by a master general ledger maintained by the Program Accounting Section in accordance with Finance Instruction 560.6, 561.6, 562.6, 563.6 and 564.6. Reporting under the potato loan program will be in accordance with Finance Instruction 569.6.

N. Examination of Loan Documents. Producer notes and pertinent documents submitted to Regional Finance Offices either for direct loans to producers or for purchase from lending agencies shall be processed by the Regional Program Contract Accounting Section in accordance with Finance Instruction 551.3, Section IV, Part A.

